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- Cree is concerned about the proposal to increase the tax imposed on manufacturing machinery, parts, and accessories.
- While we appreciate and acknowledge that Cree will benefit from the proposed changes to the franchise tax as well as from the implementation of a single sales factor, we are concerned that these benefits could virtually be negated by the proposed increase in the manufacturing rate from the 1%, $80 max per article to the 4.75%, $500 max per article.
- North Carolina is already disadvantaged compared to surrounding states because Georgia, South Carolina, Tennessee, and Virginia have broader exemptions on manufacturing purchases, and the proposed change would further disadvantage our state. Further, Cree has already has manufacturing operations in Wisconsin which affords a full manufacturing exemption.
- Let's be clear that the proposal is NOT simply a tax increase from $80 to $500 because you have to consider that Cree spends millions of dollars each month on purchases that are not eligible for the maximum tax **per article**.
- For example, bulk purchases of supplies, chemicals, and gases don't constitute a "single article" and are not eligible for the tax cap, and the purchase price of **each individual article** of smaller dollar/high volume parts and accessories such as saw blades, polish wheels, sanding materials, and insulators does not exceed the base that would be eligible for the tax cap.
- Estimates show the fiscal impact to the state for FY 2015-16 to be increased revenue of $100M.
- Cree estimates the fiscal year impact to its business to be almost $5M based on recent purchasing trends.
- These are some of the reasons that Cree, a capital intensive, local manufacturer with close to 3,000 employees in the state, is concerned about this proposed legislation.